

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type [] City [] Township [] Village [x] Other		Local Government Name Jackson Downtown Development Authority		County Jackson	
Audit Date June 30, 2005		Opinion Date October 25, 2005		Date Accountant Report Submitted to State: January 27, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

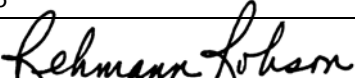
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | | | | | |
|-----|-----|-------|----|----|--|
| [] | Yes | [x] | No | 1. | Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| [] | Yes | [x] | No | 2. | There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| [] | Yes | [x] | No | 3. | There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| [] | Yes | [x] | No | 4. | The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| [] | Yes | [x] | No | 5. | The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| [] | Yes | [x] | No | 6. | The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| [] | Yes | [x] | No | 7. | The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| [] | Yes | [x] | No | 8. | The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| [] | Yes | [x] | No | 9. | The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) REHMANN ROBSON GERALD J. DESLOOVER, CPA			
Street Address 5800 GRATIOT, PO BOX 2025		City SAGINAW	State MI
Accountant Signature 		Zip 48605	

**JACKSON
DOWNTOWN DEVELOPMENT
AUTHORITY**

Basic Financial Statements

For The Year Ended June 30, 2005



REHMANN ROBSON

Certified Public Accountants

JACKSON DOWNTOWN DEVELOPMENT AUTHORITY

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REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



INDEPENDENT AUDITORS' REPORT

October 25, 2005

To the Board of Directors of the
Jackson Downtown Development Authority
City of Jackson, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of the ***Jackson Downtown Development Authority (the "Authority"), a component unit of the City of Jackson***, as of and for the year ended June 30, 2005, which collectively comprise the Authority's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the Jackson Downtown Development Authority. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Jackson Downtown Development Authority as of June 30, 2005, and the respective changes in its financial position thereof and the budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Authority has not presented Management's Discussion and Analysis (MD&A) as required supplementary information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be, part of the financial statements.

BASIC FINANCIAL STATEMENTS

JACKSON DOWNTOWN DEVELOPMENT AUTHORITY

STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET

JUNE 30, 2005

<u>ASSETS</u>	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
Assets			
Cash and cash equivalents	\$ 168,786	\$ -	\$ 168,786
Due from primary government	7,125	-	7,125
Accounts receivable	6,322	-	6,322
Total assets	\$ 182,233	\$ -	\$ 182,233
 <u>LIABILITIES AND FUND BALANCE</u>			
Liabilities			
Accounts payable	\$ 5,198	\$ -	5,198
Fund balance			
Unreserved - designated for future operations	7,180	(7,180)	-
Unreserved - undesignated	169,855	(169,855)	-
Total fund balance	177,035	(177,035)	-
Total liabilities and fund balance	\$ 182,233		
 Net assets - Unrestricted		\$ 177,035	\$ 177,035

The accompanying notes are an integral part of these financial statements.

JACKSON DOWNTOWN DEVELOPMENT AUTHORITY

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30, 2005

	General Fund Actual	Adjustments	Statement of Activities
Revenues			
Property taxes	\$ 93,270	\$ -	\$ 93,270
State shared revenue - inventory tax reimbursement	6,347	-	6,347
Interest	2,281	-	2,281
Events contributions	36,591	-	36,591
Miscellaneous	10,000	-	10,000
Contribution from City of Jackson	-	37,800	37,800
Total revenues	148,489	37,800	186,289
Expenditures/expenses			
Advertising and promotions	6,965	-	6,965
Contractual services	85,877	-	85,877
Office supplies	2,327	-	2,327
Office equipment repair/replacement	2,085	-	2,085
Accounting and auditing	21	-	21
Telephone	3,945	-	3,945
Memberships, dues and fees	2,438	-	2,438
Publications and subscriptions	1,340	-	1,340
Conferences and travel	616	-	616
Special projects	3,129	-	3,129
Programs	22,213	-	22,213
Miscellaneous	127	-	127
Total expenditures/expenses	161,231	-	161,231
Excess of revenues over (under) expenditures	(12,742)	37,800	25,058
Other financing sources:			
Transfer In -			
General Fund - City of Jackson	37,800	(37,800)	-
Net change in fund balances	25,058	17,933	
Change in net assets	-	(17,933)	25,058
Fund balance/net assets			
Beginning of year	151,977	-	151,977
End of year	\$ 177,035	\$ -	\$ 177,035

The accompanying notes are an integral part of these financial statements.

JACKSON DOWNTOWN DEVELOPMENT AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2005

(With Comparative Actual Amounts for the Year Ended June 30, 2004)

	June 30, 2005			Over (Under) Budget	June 30, 2004 Actual
	Original Budget	Amended Budget	Actual		
Revenues					
Property taxes	\$ 92,825	\$ 92,825	\$ 93,270	\$ 445	\$ 86,842
State shared revenue - inventory tax reimbursement	6,347	6,347	6,347	-	6,347
Interest	1,600	2,500	2,281	(219)	1,662
Events contributions	35,500	36,050	36,591	541	35,772
Miscellaneous	-	10,000	10,000	-	-
Total revenues	136,272	147,722	148,489	767	130,623
Expenditures					
Advertising and promotions	9,500	9,500	6,965	(2,535)	7,189
Contractual services	89,310	89,310	85,877	(3,433)	79,037
Office supplies	2,500	2,500	2,327	(173)	2,476
Office equipment repair/replacement	2,500	2,500	2,085	(415)	2,158
Bank Fees	250	250	21	(229)	
Accounting and auditing	4,000	4,000	3,945	(55)	4,110
Telephone	4,000	4,000	2,438	(1,562)	2,445
Memberships, dues and fees	1,500	1,500	1,340	(160)	1,170
Publications and subscriptions	800	800	616	(184)	738
Conferences and travel	4,000	3,000	3,129	129	3,168
Special projects	12,500	22,800	22,213	(587)	34,000
Programs	36,000	32,650	30,148	(2,502)	41,499
Miscellaneous	1,000	1,000	127	(873)	970
Total expenditures	167,860	173,810	161,231	(12,579)	178,960
Excess of revenues over (under) expenditures	(31,588)	(26,088)	(12,742)	13,346	(48,337)
Other financing sources:					
Transfer In - General Fund	37,800	37,800	37,800	-	37,800
Net change in fund balances	6,212	11,712	25,058	13,346	(10,537)
Fund balance					
Beginning of year	151,977	151,977	151,977	-	162,514
End of year	\$ 158,189	\$ 163,689	\$ 177,035	\$ 13,346	\$ 151,977

The accompanying notes are an integral part of these financial statements.

JACKSON DOWNTOWN DEVELOPMENT AUTHORITY

Notes To Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Jackson Downtown Development Authority (“Authority”) is a Component Unit of the City of Jackson, Michigan (“City”), and is presented as a discrete component unit in the City’s financial statements.

Authorized under Act No. 197 Public Acts of 1975, the Authority’s purpose is to revitalize the Downtown business district. The Authority operates under the supervision of a Board of Directors (appointed by the City Commission of the City of Jackson).

The Authority is a component unit of the City of Jackson, Michigan (the “City”) because the City appoints the Authority’s Board of Directors, it has the ability to significantly influence the Authority’s operations and it is financially accountable for the Authority. Accordingly, the Authority is presented as a discrete component unit in the City’s financial statements and is an integral part of that reporting entity.

Government-wide and Fund Financial Statements – As permitted by GASB Statement No. 34, the Authority uses an alternative approach reserved for single program governments to present combined government-wide and fund financial statements by using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. Accordingly, this is presented in the Statement of Net Assets and Governmental Fund Balance Sheet and the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances. The major individual governmental fund is reported as a separate column in the aforementioned financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation – The component-wide financial information is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

JACKSON DOWNTOWN DEVELOPMENT AUTHORITY

Notes To Basic Financial Statements

Governmental fund financial information is reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, intergovernmental revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Authority reports the *general fund* as the Authority's primary operating fund. It accounts for all financial resources of the Authority, except those, if any, required to be accounted for in another fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Equity – In the fund financial statements, the governmental fund reports designations of fund balance for amounts that represent tentative management plans that are subject to change.

Budgetary Information – The general fund is under formal budgetary control and its budget is prepared on the same modified accrual basis used to reflect actual results. In the body of the financial statements, the Authority's actual expenditures and budgeted expenditures are shown on a natural classification basis, and the budgets are adopted and amended at the fund level.

JACKSON DOWNTOWN DEVELOPMENT AUTHORITY

Notes To Basic Financial Statements

2. CASH AND EQUITY IN POOLED CASH AND INVESTMENTS

Deposits are classified as follows:

Petty cash	\$ 100
Deposits	<u>168,686</u>
	<u>\$168,786</u>

All accounts are in the name of the Downtown Development Authority. They are recorded in Authority records at cost. Interest is recorded when deposits mature or is credited to the applicable account.

Statutory Authority

The Authority is authorized by Michigan law to invest surplus funds in the following:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

JACKSON DOWNTOWN DEVELOPMENT AUTHORITY

Notes To Basic Financial Statements

Cash and cash equivalents are in accordance with statutory authority.

Custodial Credit Risk - Deposits. For deposits, custodial credit risk is the risk, that in the event of a bank failure, the City's deposits may not be returned to the government. As of June 30, 2005, \$75,688 of the DDA's total bank balance of \$223,886 (total book balance was \$168,686) was exposed to custodial credit risk as it was uninsured and uncollateralized.

3. PROPERTY TAXES

Property taxes for the Authority are levied each July 1, based on the assessed valuation of property located in the City of Jackson, as of the preceding December 31, the lien date. Property taxes are due on July 20, and are recognized in the fiscal year in which they are levied. The Authority levied property taxes of two mills for the year ended June 30, 2005.

4. ADJUSTMENT

Following is an explanation of the adjustments between the governmental funds statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities, which reconciles the net change in fund balances to the change in net assets:

Net change in fund balances	\$ 25,058
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Adjustments:

Transfer amount from the primary government. For the statement of activities, other financial sources are eliminated and are reclassified as contributions:

Transfer from the City of Jackson	(37,800)
Contributions from the City of Jackson	<u>37,800</u>

Change in net assets	<u><u>\$ 25,058</u></u>
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REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



October 25, 2005

To the Members of the
Jackson Downtown Development Authority Board
Jackson, Michigan

We have audited the basic financial statements of the Jackson Downtown Development Authority, *a component unit of the City of Jackson*, as of and for the year ended June 30, 2005, and have issued our report thereon dated October 25, 2005.

Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

In planning and performing our audit, we considered the Jackson Downtown Development Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Jackson Downtown Development Authority are described in Note 1 to the basic financial statements.

We noted no transactions entered into by Jackson Downtown Development Authority during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

- Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The Authority used no estimates in the valuation of account balances at June 30, 2005.

Significant Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Authority's financial reporting process (that is, cause future financial statements to be materially misstated). We proposed one adjustment related to the proper accounting for tax revenue recognition. This proposed adjustment was recorded by the Authority, and in our judgment, had a significant effect on the Authority's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the basic financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's basic financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as The Jackson Downtown Development Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This letter and the accompanying comments are intended solely for the use of the Board and management of the Jackson Downtown Development Authority, a component unit of the City of Jackson, and are not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, reading "Lehmann Lohorn". The signature is written in a cursive style with a large, stylized 'L' at the beginning.

JACKSON DOWNTOWN DEVELOPMENT AUTHORITY

COMMENTS

For the Year Ended June 30, 2005

This memorandum does not affect our report dated October 25, 2005 on the basic financial statements of the Jackson Downtown Development Authority.

Financial Policies and Procedures

As a part of our audit, we reviewed the draft of the "Financial Policies and Procedures" document. This document is very nicely done and covers all significant aspects of the DDA. There were comments we had regarding certain sections of the document which have been covered with the Executive Director, including procedures related to cash disbursements, budgeting, credit card use, the investment policy, and other items.

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